

Productivity Trends in Ireland: A Reply

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Sapsford and Kelly deal with that portion of my work which updated Kennedy's (1971) earlier study. Within this they focused on manufacturing productivity trends, in the post-war period, and not on productivity growth in relation to output which was my own concern (Katsiaouni 1979; Table 3.2, p. 18). To this end, the points raised were on the method used for estimating productivity trends and on the division of sub-periods. Given that I wished to obtain comparable results to earlier research in Ireland, on the same topic, it was natural to adopt the same procedures as previous researchers. The same "trend through end points" method of estimating the series was maintained consistently in my report and whenever comparisons were necessary. The overall periods considered were 1953-73 and 1953-74 within which the following sub-periods were selected: 1953-64, 1964-73, 1959-72 and 1966-74. Hence, several sub-periods were examined and their detailed results presented in Appendix B of the report. For a few of the sub-periods the reasons for their choice was made explicit while for other the considerations remained implicit. This, on reflection, may have been imprudent but in research, at least, one must sometime accept that what is out of sight is not out of mind.

As stated in the report (pp. 58-59) the 1959-72 sub-period was chosen to coincide with the first three Irish economic plans and the 1966-74 sub-period because other studies, e.g., Cripps and Tarling (1973), demonstrated that the Verdoorn hypothesis failed to be validated with inter-country data. The 1964-73 sub-period began with the inauguration of the Second Economic Programme and spans an era when it was claimed that a strong link could not be detected between the growth of manufacturing output, productivity and employment. Consequently, explanations on the choice of sub-periods were available but did not run on the line adopted by Sapsford and Kelly.

For the sub-periods generated by Sapsford and Kelly the results obtained by the two methods are given below.

<i>Average annual growth of output per man-hour in manufacturing</i>			
<i>1953-73</i>	<i>1953-57</i>	<i>1958-73</i>	
3.81	0.79	4.34	... The Sapsford-Kelly method
3.82	0.96	4.55	... "Trend through end points" method

Source: Sapsford and Kelly's statistical note

The main point about these estimates is not only their apparent similarities, but rather that the terminal year (1957) of the first sub-period was in the middle of an economic recession with falling industrial output and employment which magnifies the subsequent acceleration in the relevant series (Kennedy 1971, especially Table 2.2). In any event, four annual observations, 1953-57, with severe cyclical influences are not the substance from which one could detect structural — Verdoorn type — changes in productivity performance.

While preparing the report I was fully aware that the change in manufacturing output and productivity performance would have been even greater had the 1953-73 period been divided nearer 1960. To this end I wrote:

In fact an even more striking change in performance can be demonstrated for both series if the sub-periods chosen used 1960, or there about, as the middle year; then the difference between the 1950s and 1960s, in terms of industrial expansion, would have been placed in even sharper relief (Katsiaouni 1979, p. 18).

Since the entire tenor of the report (e.g., pp. 18, 24, 58, 63-70 and 98) was about the acceleration of productivity, both absolutely but especially with respect to output, I did not feel inclined to labour the point further. Had I done so 1957 would have been a poor choice because of its position in the then economic recession and its proximity to the date of origin.

Overall, it may be said that by selecting 1953-64 I was much kinder to the 1950s than what the available evidence permitted me to claim. I am still convinced, however, that the dichotomy and factors accounting for productivity performance are not in terms of one year and the next but in terms of several years or even decades. Consequently, the choice of a single year to mark a new era is a convenient point to begin the analysis imposed, in part, by the immaturity of statistical techniques when dealing with time.

REFERENCES

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